

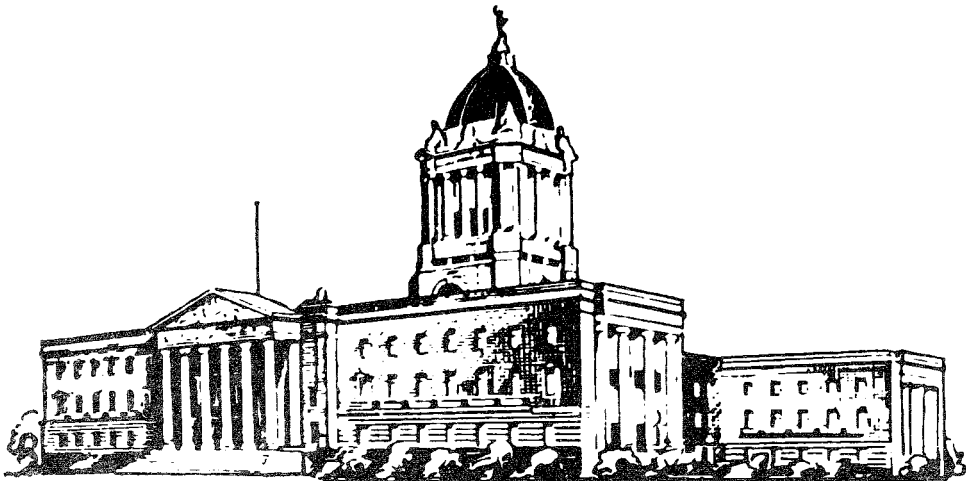


**First Session — Thirty-Fourth Legislature**  
of the  
**Legislative Assembly of Manitoba**

**STANDING COMMITTEE**  
on  
**PUBLIC UTILITIES**  
and  
**NATURAL RESOURCES**

37 Elizabeth II

*Chairman*  
*Mr. Parker Burrell*  
*Constituency of Swan River*



**VOL. XXXVII No. 8 - 10 a.m., TUESDAY, NOVEMBER 8, 1988.**

**MANITOBA LEGISLATIVE ASSEMBLY  
Thirty-Fourth Legislature**

**Members, Constituencies and Political Affiliation**

NAME	CONSTITUENCY	PARTY
<b>ALCOCK, Reg</b>	Osborne	LIBERAL
<b>ANGUS, John</b>	St. Norbert	LIBERAL
<b>ASHTON, Steve</b>	Thompson	NDP
<b>BURRELL, Parker</b>	Swan River	PC
<b>CARR, James</b>	Fort Rouge	LIBERAL
<b>CARSTAIRS, Sharon</b>	River Heights	LIBERAL
<b>CHARLES, Gwen</b>	Selkirk	LIBERAL
<b>CHEEMA, Gulzar</b>	Kildonan	LIBERAL
<b>CHORNOPYSKI, William</b>	Burrows	LIBERAL
<b>CONNERY, Edward Hon.</b>	Portage la Prairie	PC
<b>COWAN, Jay</b>	Churchill	NDP
<b>CUMMINGS, Glen, Hon.</b>	Ste. Rose du Lac	PC
<b>DERKACH, Leonard, Hon.</b>	Roblin-Russell	PC
<b>DOER, Gary</b>	Concordia	NDP
<b>DOWNEY, James Hon.</b>	Arthur	PC
<b>DRIEDGER, Albert, Hon.</b>	Emerson	PC
<b>DRIEDGER, Herold, L.</b>	Niakwa	LIBERAL
<b>DUCHARME, Gerald, Hon.</b>	Riel	PC
<b>EDWARDS, Paul</b>	St. James	LIBERAL
<b>ENNS, Harry</b>	Lakeside	PC
<b>ERNST, Jim, Hon.</b>	Charleswood	PC
<b>EVANS, Laurie</b>	Fort Garry	LIBERAL
<b>EVANS, Leonard</b>	Brandon East	NDP
<b>FILMON, Gary, Hon.</b>	Tuxedo	PC
<b>FINDLAY, Glen Hon.</b>	Virten	PC
<b>GAUDRY, Neil</b>	St. Boniface	LIBERAL
<b>GILLESHAMMER, Harold</b>	Minnedosa	PC
<b>GRAY, Avis</b>	Ellice	LIBERAL
<b>HAMMOND, Gerrie</b>	Kirkfield Park	PC
<b>HARAPIAK, Harry</b>	The Pas	NDP
<b>HARPER, Elijah</b>	Rupertsland	NDP
<b>HELWER, Edward R.</b>	Gimli	PC
<b>HEMPHILL, Maureen</b>	Logan	NDP
<b>KOZAK, Richard, J.</b>	Transcona	LIBERAL
<b>LAMOUREUX, Kevin, M.</b>	Inkster	LIBERAL
<b>MALOWAY, Jim</b>	Elmwood	NDP
<b>MANDRAKE, Ed</b>	Assiniboia	LIBERAL
<b>MANNES, Clayton, Hon.</b>	Morris	PC
<b>McCRAE, James Hon.</b>	Brandon West	PC
<b>MINENKO, Mark</b>	Seven Oaks	LIBERAL
<b>MITCHELSON, Bonnie, Hon.</b>	River East	PC
<b>NEUFELD, Harold, Hon.</b>	Rossmere	PC
<b>OLESON, Charlotte Hon.</b>	Gladstone	PC
<b>ORCHARD, Donald Hon.</b>	Pembina	PC
<b>PANKRATZ, Helmut</b>	La Verendrye	PC
<b>PATTERSON, Allan</b>	Radisson	LIBERAL
<b>PENNER, Jack, Hon.</b>	Rhineland	PC
<b>PLOHMAN, John</b>	Dauphin	NDP
<b>PRAZNIK, Darren</b>	Lac du Bonnet	PC
<b>ROCAN, Denis, Hon.</b>	Turtle Mountain	PC
<b>ROCH, Gilles</b>	Springfield	LIBERAL
<b>ROSE, Bob</b>	St. Vital	LIBERAL
<b>STORIE, Jerry</b>	Flin Flon	NDP
<b>TAYLOR, Harold</b>	Wolseley	LIBERAL
<b>URUSKI, Bill</b>	Interlake	NDP
<b>WASYLYCIA-LEIS, Judy</b>	St. Johns	NDP
<b>YEO, Iva</b>	Sturgeon Creek	LIBERAL

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON**  
**PUBLIC UTILITIES and NATURAL RESOURCES**

Tuesday, November 8, 1988

**TIME — 10 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. Parker Burrell (Swan River)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Findlay, Neufeld, Penner  
Mrs. Charles; Messrs. Burrell, Driedger  
(Niakwa), Evans (Brandon East), Roch, Storie,  
Urski

**APPEARING:** Paul Thomas, Chairperson, MTS  
Board of Commissioners

Mr. Reg Bird, President & Chief Executive  
Officer

Mr. Bill Fraser, Vice-President - Finance

**MATTERS UNDER DISCUSSION:**

Annual Reports of the Manitoba Telephone  
System.

1. fiscal year ended, March 31, 1987
2. nine-month period ended, December 31,  
1987

\* \* \* \*

**Clerk of Committees, Mrs. Janet Summers:** Will the committee please come to order. We must proceed to elect a Chairman responsible for Public Utilities and Natural Resources. Are there any nominations?

**Mr. Gilles Roch (Springfield):** I nominate Parker Burrell.

**Madam Clerk:** Are there any further nominations? Mr. Burrell, will you please take the Chair?

**Mr. Chairman, Parker Burrell:** I call the Committee of Public Utilities and Natural Resources to order to consider the Annual Reports of the Manitoba Telephone System for the fiscal year ended March 31, 1987, and for the nine-month period ended December 31, 1987.

I would invite the Honourable Minister responsible to make his opening statements and to introduce the staff present here today.

**Hon. Glen Findlay (Minister of Agriculture):** Mr. Chairman, I am honoured to review with this committee of the Legislature the 1986-87, 12-month fiscal report, and the nine-month 1987 report of the Manitoba Telephone System.

\* (1005)

Since my appointment as Minister last May, the Minister responsible for the administration of The Manitoba Telephone Act, I have become increasingly aware of the importance of telecommunications to this province, and of the dynamic nature of this industry.

The demand for telecommunication services has been growing. Telecommunications technology is evolving rapidly, and the rules governing the regulation of this industry throughout North America have been changing. Our challenge is to ensure that MTS subscribers will have access to the kinds of communication services that they need for the 21st Century.

Mr. Chairman, I would like to remind members of this committee that the decision-making responsibility with respect to telecommunications development in this province is divided between three levels: the Government, whose role is to establish the legislation and broad policies which govern the telecommunications industry; secondly, the Board of Commissioners of the Manitoba Telephone System who are responsible for establishing capital and operating plans for the system; and thirdly, the Public Utilities Board which assures that the rates charged for telecommunication services are just and reasonable.

The annual reports before you today, and the quarterly report tabled in the Legislature recently reflect the significant achievements of the new management of MTS. Not only have they turned around the financial situation, bringing MTS back to a positive status, but I believe that they have also succeeded in restoring the public image of MTS as a competent telephone company and Crown corporation.

I would like to pay particular tribute today to the high level of ability of the Chairman of the Board, Mr. Paul Thomas, who is here this morning, and his Board of Commissioners, and the President and Chief Executive Officer of the company, Mr. Reg Bird, who has been with the company since August of '87, and his executive and all the employees of the Manitoba Telephone System.

As a result of technological change in the industry, many major policy issues will have to be reviewed in the near future. The Government will handle this task on a systematic basis. Our first initiative has been to redefine the standards for basic telephone service in the province to ensure that all Manitobans have fair access to modern telecommunication services. This was the purpose of my announcement in the Legislature on September 29.

\* (1010)

In a nutshell, the Government policy will ensure that every subscriber will have access to private individual

lines, which is connected to an up-to-date digital exchange and which provides toll-free access to local business and service centres. In other words, we are reducing the number of toll-free calling areas from a 160 to 60 in the coming years. Furthermore, subscribers with physical disabilities will gain improved access to basic telecommunications services.

This policy has been transmitted to the MTS Board, and it is their responsibility to develop plans to implement the improvements, raising the standard of basic telephone service not overnight but in the near future for the Province of Manitoba. Thank you very much.

**Mr. Chairman:** I would appreciate some guidance from the committee. Will we consider the reports page by page or otherwise?

**Mr. Findlay:** The chairman of the board would now like to make an opening statement.

**Mr. Paul Thomas (Chairperson, MTS Board of Commissioners):** I would just like to introduce the MTS staff who accompanied me to the committee today. Mr. Reg Bird has joined me at the table here. He is the President and Chief Executive Officer of the corporation. Behind me in the back is Mr. Dennis Wardrop, the Executive Vice-President of the corporation, and Mr. Bill Fraser, the Vice-President, Finance, of the corporation.

I am very pleased to be here today on behalf of the Manitoba Telephone System's Board of Commissioners. At present, the MTS Board includes Patricia Graham of Newdale, Manitoba as Vice-Chairperson. Other members of the board are Holly Beard, Thompson; Roy McMillan, Portage la Prairie, who is one of the employee reps on the Board of Commissioners; Mr. Edgar Penner from Cola, Manitoba; Helmut Pankratz from Steinbach, who is an MLA, as you know; Mr. Rubin Spletzer of Winnipeg; Mr. Tom Stefanson, Winnipeg; and Miss Joanne Swayze, Lorette, Manitoba, who is also an employee representative on the board.

Appearances before this committee are an important accountability forum for the MTS Board and the corporation. As elected MLAs, you are the representatives of the ultimate shareholders of the corporation, namely, the citizens of Manitoba. It is appropriate, therefore, that MTS officials should appear at regular intervals to render an accounting for its recent performance. We look forward to answering your questions and, hopefully, addressing any concerns that you may have.

I was appointed to the position of Chairperson of the Board of Commissioners of the Manitoba Telephone System on August 18, 1987. During the ensuing period of just over a year, I have been impressed by the dynamic and complex nature of the telecommunications industry. MTS is an organization in transition, facing rapid change in the form of new technology and a more competitive marketplace. In these opening remarks, I first wish to comment on how the Board of Commissioners has organized itself to deal with the complex issues it faces and, secondly, to highlight some of the major issues it has dealt with during the past year.

The role of the Board of Commissioners is to ensure that long-term objectives and plans are established, to ensure that an appropriate management structure is in place to achieve those objectives, and to ensure that this structure functions to maintain the corporation's effectiveness, efficiency, integrity and responsibility to its various outside bodies and the Manitoba community.

To this end, the Board of Commissioners has participated extensively in the development of a Mission and Goals Statement for the corporation which was approved on January 22, 1988. The president will say more about the contents of the Mission and Goals Statement shortly.

In addition, each vice-president at MTS has negotiated with the president and filed with the chairman of the board measurable objectives for each year. The president himself has a set of objectives which are discussed with the chairman and filed with the board. Regular updates on progress towards these objectives are filed with my office.

\* (1015)

The board also reviewed and approved a reorganization of the executive structure. The appointment of a Vice-President of Human Resources addresses a long-standing concern of the board. A program to measure and to improve productivity within the Corporation is under development.

In order to comply with certain requirements of The Crown Corporation Accountability Act of 1987 and to deal more effectively with a crowded and complicated agenda, the Board of Commissioners agreed in October of 1987 to a number of changes to its organization and procedures. Five subcommittees of the board were established in the following areas: Planning, Finance, Audit, Customer Service and Human Resources and Compensation. The use of subcommittees, it was hoped, would permit the greater development of specialized knowledge among board members, would permit a more intensive exploration of issues than full board meetings allow, and would help to avoid overloading the agenda of the full board by permitting advance discussions in the subcommittees. I am pleased to report that the subcommittee system is working very well.

To give you some idea of how the subcommittees operate, I will mention briefly the work of the Finance Committee of the board, which is very active at this time of year in fact. Among other activities, it undertakes a preliminary review of the annual capital and operating budgets for the corporation prior to their presentation to the full board. The corporation has moved to multiyear fiscal planning, and the Finance Committee has asked for and received variance analysis of financial changes between original forecasts and final results. As part of the annual budget exercise, the Finance Committee has adopted the practice of reviewing the plans and finances of two vice-president's areas each year. In other words, of the eight vice-presidents we have at MTS, two of them come before the Finance Committee annually.

In a highly complex industry like telecommunications, the MTS Board faces a serious challenge in terms of information overload. To assist the board, we have created a position with the dual title of Corporate Secretary and Board Policy Analyst. Previously, the

board was served by a corporate secretary who was also vice-president/general counsel and reported in that capacity to the President. It was felt that the board should have independent and fully dedicated staff of its own. We were fortunate to recruit an individual with extensive experience in the telecommunications industry. A separate budget category for this professional officer, a secretarial support position for the board's expenses has been established. Previously, the costs of running the board were included in the Executive budget. It was felt that, if the board was going to insist on stricter financial accountability from management, it should apply the same principle to itself.

Other changes introduced at the board level have included: the preparation of an annual calendar for board business, earlier circulation of board documents, the inclusion in all board submissions of sections outlining the alternatives which were considered and the communications requirements flowing from decisions, and the introduction of a "Question Period" at each board meeting when commissioners can raise questions with senior management.

The Board of Commissioners has been very active since my arrival. It has held 19 meetings during that 14-month period, including a recent meeting held in Thompson. There have also been numerous meetings of board subcommittees.

The Board of Commissioners, in terms of substantive matters, has approved the business plan for the launch of the Cellular Mobile Radio Service. Because this represented a major competitive venture, the board instituted the practice of requiring quarterly reports on the performance of this new competitive unit.

On September 29, 1988, the Minister responsible for The Telephone Act announced a Service for the Future plan to provide Manitobans with a new standard of telecommunications service into the next century. The MTS Board of Commissioners was deeply involved in the development of this plan through the staging of several special meetings devoted to this topic.

The Customer Service Committee of the Board, the full board, and MTS staff have spent considerable time preparing for the series of annual public meetings with our customers which have taken place throughout the province over the past several weeks. Five meetings have been held in Thompson, Cross Lake, in southeast Winnipeg, Deloraine and Carman.

An overall Human Resources planning strategy will soon be considered by the board. The board continues to operate an Advisory Committee on Equal Employment Opportunities, consisting of employee, management and board representatives, and the board has issued a strong statement of support for the EEO program within the corporation.

MTS and the Communications and Electrical Workers of Canada (CWC), the International Brotherhood of Electrical Workers (IBEW), and the Telecommunications Employees' Association of Manitoba, known by the acronym, TEAM, recently signed an agreement on September 7, 1988, to implement pay equity adjustments within the corporation. This agreement will

raise the salaries of approximately 2,000 female and male employees within the corporation working in traditionally female-dominated job classifications. The agreement marked the culmination of a two-year process which began October 1, 1986, in accordance with the provisions of Manitoba's Pay Equity Act.

\* (1020)

Work has begun on improving the annual report of the corporation to make it more informative for our customers and a more effective accountability device to the Government, the Legislature and the public. In these ways, we have sought to strengthen the role of the Board of Commissioners as the final policy-making body within the corporation.

On behalf of the board, I want to thank President Reg Bird, his executive team and numerous employees throughout the organization for their consistent and dedicated support. The Board of Commissioners is confident that in the years ahead, the Manitoba Telephone System will achieve its goals and objectives to the mutual benefit of the community, its customers and employees and in a manner consistent with the goals contained in The Manitoba Telephone Act and prevailing Government policy statements.

That concludes my remarks, Mr. Chairman. I would like to thank you and I would like, if I could, to turn the microphone over to the president of the corporation to make some brief opening remarks.

**Mr. Chairman:** Mr. Bird.

\* (1025)

**Mr. Reg Bird (President and Chief Executive Officer):** Thank you, Mr. Chairman. Mr. Minister, Members of the committee will have received the Manitoba Telephone System's 1986-87 Annual Report with reports on activities prior to my arrival at the System in late 1987.

They also will have received the report for the nine-month period, April to December 1987, which describes the following financial statistics. Total revenues were \$324,461,000; total expenses were \$322,514,000. Net income of \$1,947,000 reflects a strong recovery from the \$19,991,000 loss incurred in a previous fiscal year. Capital expenditures were \$132,776,000, and MTS investment in telecommunications plant grew to \$1,468,737,000, up from \$1,379,826,000.00.

The nine-month report also describes a number of significant activities undertaken during the reporting period:

The conversion to digital switching technology in 23 more rural exchanges serving 15,000 subscribers. In Winnipeg, 17,400 subscribers were transferred to this technology.

Additional Extended Area Service cross-sections have been added, bringing the total availability of the network to 134,000 customers in 132 exchanges.

Major service improvements in Northern Manitoba, including the establishment of telephone service at Herb

Lake Landing, Tartan Lake Mine and Puffy Lake Mine; and installation of systems serving Grass River Lodge, Spruce Point Mine and Poplar River.

Local coaxial cable TV service installations extended to an additional 10 rural communities, bringing the total to 65.

Strong demand for service continued in this nine-month period, particularly in Winnipeg, with more than 3,000 new building lots being serviced. MTS also completed the major service requirements for the North Portage Development. In one part of this development, MTS introduced the Integrated Building Distribution Network which provides for internal office wiring to connect computers in a cost-effective manner.

A new long distance service called, "Between Friends." Moreover, national long distance rates were reduced by between 3 percent and 14 percent depending on the distance of the call. An international toll-free 800 service was extended to the United Kingdom, and another 37 countries became accessible via Direct Distance Overseas Dialing.

Significant steps were taken in the development of the System's Equal Employment Opportunity Program, with the appointment of a full-time coordinator.

A major survey of 5,500 MTS customers was completed to assess opinions on improvements in the rural service.

Since December 31, 1987, the system has moved forward into other important activities:

An additional eight exchanges have been provided with digital switching. By the end of the year, Winnipeg will have 48.4 percent of its switching digital, the other areas of the province will be 47 percent digital.

A further Extended Area Service cross-section has been implemented between The Pas and Wanless.

Automatic Number Identification has been placed in service at an additional nine exchanges.

On January 22, the system adopted a new Mission and Goals Statement.

The mission of the system is: "To serve the province and its people by overcoming the barriers of time and distance through telecommunication solutions, outstanding service and superior products."

The system has six corporate goals which are: to provide customer satisfaction; to be financially responsible and self-sufficient; to pursue aggressively market opportunities; to provide equal opportunities and to develop dedicated, well-trained employees; to be a good corporate citizen; and to keep the public well informed.

On May 6, Cellular Mobile Radio service was introduced to Manitoba, with MTS Cellular competing with a private company.

On May 30, 1988, MTS applied to the Public Utilities Board of Manitoba, requesting that it approve the

creation of a new rate group for the Winnipeg exchange. Under current regulatory rules, rates for local calling areas are established in relation to the number of telephone numbers that can be accessed without making toll calls. With Winnipeg beyond the limit of its current rate group and given that there is no authorized higher rate group, the system was obliged to make this application. It was reviewed during a public hearing held on September 15 and 16. The decision by the PUB was announced on Friday, and that rate application was subsequently approved by the Public Utilities Board.

On June 28, 1988, MTS launched the Manitoba Relay Service, which allows deaf as well as speech- and hearing-impaired persons dramatically improved access to telephone services. This service was developed in cooperation with the hearing-impaired community of Manitoba and has been very well received.

On September 19, 1988, MTS announced that it would make an application to the Public Utilities Board for approval to reduce out-of-province long distance calling rates by up to 10.9 percent, beginning on January 1, 1989.

On September 29, 1988, the Minister announced a policy to raise the standard of telephone service to Manitobans. That announcement included a description of a major service improvement plan called Service for the Future. This plan will see the implementation of a universal Individual Line Service Initiative, accelerated modernization of switching and transmission facilities, expansion of toll-free calling areas, optional toll-calling plans, and the establishment of a Special Needs Centre to serve the telecommunication needs of Manitobans with physical disabilities.

The System also is making changes to its organization, to increase the effectiveness of its operations, enhance its development of human resources, and improve the extent and quality of its customer service. We are confident that these changes are working to allow the corporation to fulfill its stated mission and to meet each and every one of its goals.

Important new thrusts and activities have been initiated over the past several months which provide a wider range of services to Manitobans and will raise the level and standard of overall service. Taken together, they represent a strategy which is giving the corporation a new focus and direction that is being enthusiastically received by the system's employees and its customers. Thank you, Mr. Chairman.

**Mr. Chairman:** How does the committee wish to proceed?

**Mr. Bill Uruski (Interlake):** Generally, I think it has been the will of the committee to have a wide-ranging discussion on all issues and have the Members place their questions, and then when basically all questions have been placed and answered and discussion taken place, then we basically get down to deal with the report. Usually, that ends up in a very short period of time when all questions and answers have been discussed. We can proceed that way.

\* (1030)

**Mr. Roch:** Yes, I agree with that, if we will question first and then deal with the report as a whole.

I would like to know what is the current status of the corporation. The report we have here is about a year old and I realize we just received a brief update in the opening comments, but could the committee get a brief update as to where we are at now? Have there been any significant changes in the corporation's financial status or general direction in the last few months, or is what has been said in the opening statements the most current information?

**Mr. Thomas:** We have just filed in the Legislature the first of the quarterly financial reports that are now required, and it shows a bottom-line position of almost \$12 million anticipated for this fiscal year. The way the MTS fiscal year operates, there are always obligations that arise in the latter months, so the forecast is a little more optimistic as of September. But we expect that with the bills coming in in the latter parts of the financial year, we will come out with approximately \$12 million profit this year, or contribution, I guess.

**Mr. Roch:** On Page 15 of the report, December 31 report, under Deferred Charges, it says: "Unrealized foreign currency losses, net of amortization." It is over \$3.5 million. Is that strictly from the difference in exchange rates?

**Mr. Thomas:** I think I would ask Mr. Fraser to respond to that question. Mr. Fraser, on the balance sheet of December 31, '87, under Deferred Charges, Unrealized foreign currency losses, net of amortization, showing—you could perhaps explain that concept.

**Mr. Bill Fraser (Vice-President—Finance):** Mr. Chairman, what happens with our long-term debt is that at the end of the year we convert that debt, effective now December 31, our year-end, into the equivalent Canadian dollars of all that debt. Some of our debt is in foreign currency, some of it in terms of the years that have been looked at in U.S. dollars, Swiss francs, Japanese yens, and we convert those foreign exchange into the equivalent rate as at December 31.

Just for the sake of example, and I will not use the figures in the report, but let us say we had borrowed \$100 million in equivalent Canadian funds over a period of time leading up to that report. When we convert the equivalent according to the foreign exchange on those various denominations at the end of the year, we may find that in fact we had to pay off all that debt at that point in time—let us say, rather than \$100 million, we had \$120 million, let us say. Now if we assume that all that debt had 10 years to maturity, because it is all varying maturities, but in principle, what we would do then is we say, okay, we have a foreign exchange loss of \$20 million effective that date. It is not going to mature for 10 years and so we amortize that loss over 10 years. We take one-tenth of it as an expense that year and it gets charged against our income. The remaining nine-tenths gets set up as this deferred asset. So what you see there is our potential exposure over

the course of those debts to their maturity date if the foreign exchange rate does not reverse itself and correct that situation, which could in fact happen. That is why it is set up as a deferred asset.

On the side of the liabilities, the debt itself has been bumped up by an equivalent amount. So we have increased our debt and written it up to the new value at December 31 but, because we intend to expense it over the remaining nine years of that debt, that nine-year portion is set up as a deferred asset, which is standard accounting policy which is generally accepted throughout industry and accepted by the Canadian Institute of Chartered Accountants.

**Mr. Roch:** So if I understand you correctly, that amount is an amount over and above any other debts? If they were to be repaid today, for example, that would be the loss incurred between what was actually borrowed and what is repayable vis-a-vis the foreign currencies and the Canadian dollar.

**Mr. Fraser:** That is correct. That represents the difference between what we borrowed in Canadian dollars and what, as of the exchange rates at December 31, we would have to pay if that debt matured, except that some of that debt, as I say, it gets amortized over the life. So if those exchange rates stayed constant and never changed for the next 10 years, we would gradually amortize one-tenth of that each year and you would see that number going down.

Alternatively, if at the following December year-end—and what has been happening this year, for example, is that the Canadian dollar has improved against the American dollar up until recently, so that you would see a deterioration in that figure because the relationship would be lower at December 31.

**Mr. Roch:** I think it is only against the American dollar that the Canadian dollar seems to be improving. On amortized long-term debt costs of \$4.5 million, what exactly does that mean?

**Mr. Fraser:** There are a number of different sorts of expenses that are involved in terms of long-term borrowing that again gets spread over the life of that issue. There are issue costs in terms of fees that we have to pay in terms of borrowing the money and so on. Those up-front costs again get amortized over the life of the issue so that, if it is a 10-year issue, one-tenth of those costs get expenses each year, and so this represents the amount that is yet to be expensed.

**Mr. Roch:** In other words, that long-term debt causes an actual borrowing.

**Mr. Fraser:** That is right. If we pay various fees to various brokerage fees and that sort of thing in terms of borrowing that money, then those charges are spread over the life of the borrowing.

**Mr. Roch:** That figure of almost \$30.6 million, it is a very high figure. Does the corporation anticipate any more large borrowings on the foreign markets?

**Mr. Fraser:** The corporation deals through the Department of Finance, as do all the Crown corporations

in terms of its borrowing program and we have specifically asked that we only receive debt in Canadian currencies. We have had a commitment that every effort will be made to provide debt to us in only Canadian currencies, because our revenue is all in Canadian dollars and we do not have any foreign revenue which could counteract and buffer us against any changes in foreign exchange.

**Mr. Roch:** Oh yes, you tried to get foreign revenues but it did not work out. Can I ask why the fiscal year-end was changed from March 31 to December 31?

**Mr. Fraser:** The main reason for changing it was in order to try to better coincide our year-end with the legislative Sessions so that we could get the reports completed and tabled on a more timely basis in the Legislature and have the reports before this committee be on a more meaningful basis so that the time lag between the end of the year would be shorter. So for example we would expect that with the December 31 year-end that we would be able to table that year-end four or five months later with this committee and deal with it when the information was only four-months old, as opposed to being a year old.

So that was the main purpose, but the other dimension is that all the other telephone companies in Canada are on a December 31 year-end. Because of the nature of our interrelationships, it makes it far better for us to be on a consistent basis in terms of the comparability of our numbers and our information.

**Mr. Roch:** I think I missed one part but I believe you said that it also coincides with the other telephone utilities across Canada. They end on the 31st, most of them?

**Mr. Fraser:** All the other telephone companies, Bell Canada, B.C. Tel, SaskTel and so on, all have December 31 year-ends and so the comparability of our information to those on an annual basis has always created some anomalies.

**Mr. Thomas:** Let me just add a comment to that. The requirement for a calendar fiscal year is contained in The Crown Corporation Accountability Act. So all Crown corporations were to adapt to the calendar year basis for presenting their financial account. We were the first to do that and so we have complied now with that requirement. It happens to be suitable to us in terms of the industry, as well, but it falls under The Crown Corporation Accountability Act.

**Mr. Chairman:** Could I ask all Members to wait until they are recognized by the Chair so that Hansard can get their names, and then we can activate each individual's microphone? As you realize, I am a little green here but what is happening is you are coming in before I can recognize you and we do not have it recorded properly.

**Mr. Roch:** Mr. Thomas answered my next question, because I was going to ask if there was any requirement to go to December 31.

I would like to know what is the current status of MTX. Are the wind-down proceedings as projected?

\* (1040)

**Mr. Thomas:** Yes. I serve on the MTS Board of Directors now, which consists of the Acting Chief Executive Officer, Mr. Charlie Curtis, who is also as you know, the Deputy Minister of Finance and one other member of the MTX Board.

It was forecasted that MTX would be wound down some time in the summer, probably now in the fall of next year. What is happening is that there is a process of dissolution of the corporation under The Manitoba Companies Act which has to take place, which means that all outstanding liabilities have to be disposed of and MTX is owed money by two companies. The amounts are not large. Both are under \$50,000 each. Both amounts are being disputed by the companies involved.

There is a potential for some revenue flowing to MTX from a project involving the Hong Kong police force, a project involved with Canac International, and the original tender on that job was done by the MTX subsidiary of MTS. There is a potential royalty there of \$75,000 if the Hong Kong Police Department accepts this computer-based system. So MTX could potentially derive some revenues there.

Finally, there are some outstanding accounts with Al-Bassam International, and this involves the so-called SADL project in which MTX was involved. We have promissory notes coming from MTX's former partner, Al-Bassam International. One was due at the end of October and I am not sure that it has arrived. The amounts are paid in Saudi riyals which is the Saudi Arabian currency.

In summary, however, we expect the corporation to be wound down by the fall of '89. We will stay within the announced public figure of \$27.4 million in terms of the total losses of MTX. So these final steps are part of the orderly wind-down of this corporation.

**Mr. Roch:** You touched upon part of my next question in regards to Al-Bassam International, as he calls his company. I believe there were six promissory notes from September '87 to March '89. You say one was due this past October? You projected by the end of March '89 which is, I believe, when the last one was due, you projected they would all be arriving on time?

**Mr. Thomas:** Yes. Up to this point, the promissory notes have been paid on time. This last one involved the sale of a computer that was part of the inventory of the corporation and the computer equipment was not sold. There has been some delay in the payment, I gather. While I serve on the MTX Board, Mr. Curtis, who has been acting general manager of MTX during this wind-down period, has been working with Coopers and Lybrand, could give you more detailed, specific responses, Mr. Roch. He has really been on top of it on an ongoing basis.

**Mr. Roch:** What is the current equity ratio of the corporation?



**Mr. Thomas:** I think maybe Mr. Bird could answer that.

**Mr. Bird:** The current debt-equity ratio of the corporation is roughly 91 percent.

**Mr. Roch:** What do you deem would be a desirable debt-equity ratio for the corporation?

**Mr. Bird:** Well, that is a very good question. It depends on a lot of factors. If one is in a total monopolistic situation where your rates are guaranteed through a process of regulation, then one can have a higher debt-equity ratio. If one is in a market system where the revenues are subject to competition, one would have a lower debt-equity ratio. I would say, on the whole, that a good debt equity that a company should strive for is around 50 percent.

**Mr. Roch:** Are you saying then that 50 percent would be an objective of the corporation?

**Mr. Bird:** It is an objective that I would like to strive toward. However, as I indicated, in a regulatory environment it is perfectly acceptable to have a higher debt-equity ratio, because debt is cheaper than equity in the marketplace. However, debt, you are obligated to pay your debt service charges, so it is an expense which you are obligated to pay. Although we would like to strive and the plan that we have tabled with the Public Utilities Board is to reduce the debt-equity ratio over the next several years to a lower level. In my view it will be nowhere near 50 percent for quite some time.

**Mr. Roch:** What do you feel then is a good debt-equity ratio for Crown corporations, specifically for MTS?

**Mr. Bird:** We like to compare ourselves with the other Crown corporations across the nation which is AGT and Saskatchewan Telecommunications. AGT presently has a debt-equity in the same range as ours at 90 percent and Saskatchewan has one about 70 percent. I would like to aim towards the value that SaskTel has achieved, say, in the 70 percent range.

**Mr. Roch:** So 70 percent would be acceptable because of the fact it is a monopoly situation. I assume then that the corporation will be striving towards that goal. I just want to know if—which it should be doing—it will affect any of the proposed service improvements or is that being done concurrently.

**Mr. Bird:** It is being done concurrently. The total package which the Minister announced contains a clause that we will be financially viable, and so the rates that we have tabled with the Public Utilities Board allow us to implement this program, plus also to attain the net incomes to address our debt-equity ratio and to reduce it.

**Mr. Roch:** According to interrogatories (CAC, MTS), dated August 12, 1988, MTS projects for the year ending December 31, '88, a net income of \$4 million after deducting \$118.7 million of depreciation. Given these kinds of projections, why is MTS proposing to increase rates by 15 percent within the next two years?

**Mr. Thomas:** Maybe I could start with an answer to that. We have just been discussing the question of the corporation's debt-equity ratio, and the commitment given in the Service for the Future document is to bring the debt-equity ratio down by approximately 1 percent annually. To do that, we have to increase our revenues as well as hold our expenses down wherever possible. We are balancing the provision of new services at a standard that Manitobans have come to expect and have a right to have in terms of individual line service and so on. Part of the challenge is to increase the rates on a gradual basis that does not impose a burden on Manitobans, at the same time applying ourselves to the financial problem, which we have a heavy debt load and we have pension obligations as well to cover.

So that while we have the appearance of a very positive bottom line, you have to keep that in perspective in terms of the size of the corporation, close to \$400 million annually in the budget, and we have to get a better return so we can pay off some of our debt obligations and put the corporation in a better position financially to meet competition in the future because, if we are dragging around a debt burden and paying interest charges annually, we will not be able to compete. It will add to our costs and in those new areas where competition is coming we will be handicapped. Part of the strategy in the Service for the Future document is to prepare us for competition.

\* (1050)

**Mr. Roch:** So essentially, it is the current revenues along with the proposed increases, if I understood you correctly, to bring down the debt-equity ratio, pay for the upcoming services as well as meeting pension obligations.

**Mr. Thomas:** That is correct.

**Mr. Roch:** I have a quote here from a news release dated September 19, 1988. It is entitled, "MTS Long Distance Rates to fall in 1989." It says, in part, that both business and residential customers will benefit from reductions when calling points outside of Manitoba, within Canada and the United States. The biggest savings will come in long haul calls. Further down it says: "Overall, this will result in major savings for Manitobans calling outside the province in 1989." One quote which intrigues me is where it says we can make these great reductions because of the improved cost effectiveness of the long distance network. Have there been no improvements in cost effectiveness here in Manitoba?

**Mr. Bird:** Yes, there has been improvements not only in Manitoba but across the country. We belong to Telecom Canada, which is the 10 large telecommunication entities association which deals with long haul toll. As we improve the system and improve such things as digital switches and fibre optics, we are able to carry more calls cheaper. Therefore, when we can do that, Telecom Canada has gone back to its respective regulators, be it Bell Canada, the CRTC, or be it MTS with the PUB, or AGT with its board, and requested that our long haul rates be reduced to reflect those efficiencies.

**Mr. Roch:** I do not think you have addressed the question of Manitoba. You mentioned there has been cost-effectiveness measures in Manitoba. If so, then why is it possible to reduce rates for Telecom Canada? I realize there is competition involved there and it is a monopoly situation in Manitoba. But if there is cost effectiveness going on, why is that not possible within Manitoba?

**Mr. Bird:** If I understand, the question is, will not Manitobans experience a reduction in the rates? They will experience a reduction in the rates as well as citizens in Alberta, Saskatchewan and so on.

**Mr. Roch:** Yes, but the only ones experiencing that will be those calling outside of Manitoba. For people calling within Manitoba, whether it be long distance or local, they will be experiencing rate increases. So, in effect, people who are calling outside of Manitoba are going to be saving money, while those calling within Manitoba, where most people do their calling, will be experiencing increases.

**Mr. Bird:** Yes, there are two elements to toll. One is interprovincial toll which is long haul toll, which you are absolutely correct, is reducing. The other one is intraprovincial toll which is within Manitoba. That, if our present rate proposal goes through for the Service for the Future Program will increase by approximately 5 percent. That will increase primarily because we have introduced the new service for the improvement, Service for the Future Program which initiates a higher level of telecommunication standard in this province. That new standard is going to cost us about \$800 million to implement. That has to be paid for. So although there have been productivity improvements, we still require an increase of roughly 5 percent in those rates within Manitoba to pay for this program. So you are correct. The intraprovincial rates will be going up 5 percent, but the inter, between the provinces, will be dropping if the PUB approves it as per the proposals we have in front of them.

**Mr. Roch:** It is a lot of words. On one hand, we are decreasing rates and, on the other hand, we are increasing them. Any way you look at it, for whatever reasons, the fact still remains that this I believe is—what?—10.9 percent rate reduction for those calling outside of Manitoba. It will mean less revenue for MTS.

**Mr. Thomas:** I thought I might add something to what the president of the corporation has said. Interprovincial long distance tolls has been priced well above cost and what is happening, because of changes in the federal regulatory environment where Bell Canada has been ordered to reduce its long distance rates, they are forcing other companies across the country to adjust their rates to correspond to Bell. So people calling from Winnipeg have the same rates, in terms of calling Toronto. Otherwise, people would call to Ottawa, hang up and get their partners in business to call them back in Winnipeg. So the rebalancing that is going on in terms of rates in the interprovincial market is being forced upon us to some extent by what is happening outside of the province.

But you were asking the question about cost efficiencies and productivity in the Manitoba Telephone System. Last spring when the corporation did not get before the PUB because of the event that intervened, called the provincial election, we had to introduce some stricter financial controls which turned us around from a potential loss of money to the reported kind of contributions we are having this year where we have a positive bottom line.

There are stricter financial controls. The budget process has been concentrated now, the authority for it has been concentrated in Mr. Fraser's office, the Vice-President of Finance. As I indicated in my opening remarks, we are undertaking a productivity measurement program and hoping to achieve productivity savings. We know that we have to get better value for the money that we are spending within the corporation because we are going to be facing increasingly competitive markets in more areas of our activity.

This I think is a well-managed corporation from a financial standpoint. The Government and the PUB will have the advantage of seeing multiyear fiscal plans I think for the first time from this corporation, and that is testimony to the hard work that Mr. Bird and his executives have done to lay out forecasts of revenues and expenditures over a number of years, and that will help us tremendously in terms of controlling costs.

**Mr. Roch:** I fully understand that and I can understand the implication of the CRTC ruling which leads to all this, but the fact still remains that apart from debt-equity ratio, service improvements, special obligations, part of the increase has to be to make up for that shortfall of revenues which would normally have been generated by not reducing it by 10.9 percent. I know, to a certain degree, you had no choice but the fact still remains.

Mr. Chairman, on a different issue here, the concept of having annual public information means that the senior staff of our Crown corporations, especially with MTS, is a good idea. Would the Minister consider continuing these meetings, at least for MTS, even if he cannot convince his Cabinet colleagues to do so for the other Crown corporations? I realize that the new Act does not require it but, on the other hand, it does not say that you are not obligated to. The reason I ask is because I attended one recently and I thought and the people there thought it was a very good idea.

**Mr. Findlay:** Yes, the five meetings that were held—the president or somebody else can report on what really happened there, but I think the turnout was reasonably good and I hope the public appreciated the opportunity to talk directly with MTS officials. If it is deemed that there is a positive response from the community, then I see no problem with continuing to have them, have this corporation continue to have them in the future, realizing of course that there is a cost associated with it to having staff out travelling around.

If it is deemed that there is good feedback from those meetings and the public expresses a desire that they want them, I am sure the corporation will be

prepared to continue to do it because, as you know, the new Act still allows it on a voluntary basis to have those meetings. As long as there is something positive coming from them, I as the Minister will certainly not interfere with their right to carry on with those meetings.

Reg, you might like to comment on what has happened at the meetings and the general response you got from them, or Paul there, whoever.

\* (1100)

**Mr. Thomas:** Maybe I will start, under the existing Crown Corporation Accountability Act, the boards of the Crown corporations are charged with making these events happen.

I must confess, frankly, that I was somewhat skeptical about what we would encounter out on the road meeting our customers. I was pleasantly surprised. The turnout in Winnipeg, as you know, Mr. Roch, because you were in attendance, was low, but that was more a circumstance of weather conditions than lack of interest among the public. In both Deloraine and in Carman, we had very big turnouts and, in the two northern meetings where the communities are smaller, there were moderate turnouts but some very worthwhile interventions. I have come around to the view that—and I have not discussed it with my board of colleagues yet—these serve a valuable purpose. It gives the corporation a chance to see the operation of its system from the customer side. It is particularly valuable to board members who attended all the meetings, not all board members but a board member attended all meetings in order to get a sense of what is happening out there. We get information presented to us through the eyes of management and this gave us a chance to interact with our customers. We learned a great deal out on the road. I think they serve a valuable function. That is a position I did not adopt originally. I was a bit of a Doubting Thomas, if you will allow me to say so, about the value of these. I thought there might be other mechanisms that might ensure the corporation was responsive to its customers.

We have a five-year plan for these programs—we are always conducting five-year plans it seems—but we expect to be within 60 miles of everybody in the province over the next five years. The locations for this round of meetings were chosen on the basis of communities that had not been visited when the former Ministers went round on the rural consultation exercise. We went to communities that had not been visited recently by MTS. So I suspect that, if the other board members feel likewise, we will be back out next year in the fall, perhaps a little earlier before the snow flies.

**Mr. Uruski:** Just to follow up on this issue, I am very pleased to hear that the meetings that the board and management has had throughout rural and urban Manitoba have been going quite well.

It is interesting enough as well, the Minister now who is responsible for this corporation did attend some of the meetings—I think you were at Virden—the previous meetings that the former Minister and I held throughout rural and northern Manitoba. It certainly does provide

the people of this province an opportunity to listen, to hear what is happening in the corporation because the information that is being shared is, I am sure, of interest to most Manitobans, both on the operations side, on the financial side, and the service side, in terms of what they can expect.

I kind of sit here and smile a little bit at the contradictions that seem to be going around this room. Here we have a former Conservative who voted against The Crown Accountability Act, and the Liberals now saying let us have more accountability because it is within the Act. We have a former Minister, who was a Conservative, who voted against the Act, now saying let us have more accountability in this Act. They are bringing in new legislation that does not require accountability.

I really wonder as to the sincerity of either the Liberals, who are appearing to support this new legislation that is being brought in the House about new accountability, and the Conservatives, who voted against the previous legislation to say it is not necessary. Now they are saying it really is not necessary so we are taking it out of the Act. Maybe between the Liberals and the Conservatives here, they can make up their minds as to whether or not the boards of directors of Crown agencies, and the Telephone System being one, will be given the mandate. Let us have a clear statement from the Minister. Let us have those public meetings and why change the Act? Let us require those public meetings.

Clearly, I attended 21—maybe 20 out of 21. I missed one of the northern meetings that I was not able to attend with the former Minister. I can tell you I appreciated the concerns, the suggestions, the positive rapport of the people in this province coming and wanting to hear what kind of services are being provided, and their desires for future benefits out of the system. So maybe out of this meeting today we will be able to send a message to—and the Minister himself will make a commitment and he said they are good. Maybe he will come out and say look, I think we should continue to have those meetings and will leave the requirement that is in the present Act there, because that really should be a part of the process.

**Mr. Findlay:** I have already stated that the meetings that were held this past year, the five meetings around the province, drew a positive response from the people who attended. The former Government with a round of 17 or 21 meetings, whichever it was, were positively received, but it had not happened prior to that. I think the service for the future discussion has generated a lot of interest in telephones and unfortunately, I guess, the Telephone System has received a lot of publicity in recent years because of one certain negative event. The corporation is doing a good job of recovering from it, and we are moving on into positive areas of activity in the eyes of the public.

The fact that we are prepared to have the meetings as a corporation, or the Board of Commissioners prepared to have their meetings on an annual basis, as the chairman just indicated, so that over a period of time we were within 60 miles of every individual in the province, is it a positive thing? Is it a voluntary

thing? Depending on the issues year by year, the number of meetings may vary in terms of being able to positively get response from the public, but never lose sight of the fact that every time they appear before the PUB, there is another opportunity for the public to express their opinions on behalf of their thoughts about the way the corporation is operating.

I do not see any difference in our process of operating in the future, whether it is mandatory in the Act or it is voluntary in the Act. I think we operate a lot better when we have a voluntary choice of what we are going to do, when we are going to do it, and how we are going to do it. I know the corporation will always respond positively in the future in terms of the need that the public brings forward for having these sort of meetings. I know our municipal councils are one of the strong voices for requesting certain activities by the various Crown corporations, and I know we will continue to have the meetings as long as they are required by the public. Once the attendance drops off significantly, for whatever reason, then there will be less demand for them.

**Mr. Uruski:** This is where I am not certain just on this issue. I will certainly allow the Member for Springfield (Mr. Roch) to go on to other questions because I have a whole host of questions and I will not go into it. I just wanted to follow up on this one issue. That is, the Minister said, as long as the public requires us to come forward—I recall between '77 and '81 and during part of our first term in office, that you do not make the time to go, and you do not make the requirement of the agencies to really respond to the public unless there is a requirement. We are removing that requirement and I do not understand, unless there is some sensitivity, that there may be another issue. We were there through the MTX issue. We still went out to the public, notwithstanding that negative issue.

I have some difficulty with what he is really saying. He is saying if the public requires us, but now the Act does not require us, or the new Act that is being proposed does not require us, and the corporation is saying, Mr. Chairman, that the response of the public has been good. We have had good meetings. We intend to continue them. Maybe the Minister is prepared from this committee, to say to his colleagues look, can he give an undertaking here that we are all in favour of it? This committee is in favour of it; I am in favour of it. Why not leave it in the Act and why leave it open as to decision and who will make that decision? Who is going to make the decision, if it is going to be voluntary, whether or not there are going to be meetings or not?

\* (1110)

**Mr. Findlay:** The Member for Interlake (Mr. Uruski) knows full well that he appointed a judge by the name of Mr. Kopstein to do a review of MPIC. He brought forth a large number of recommendations and one of the recommendations that Mr. Kopstein brought forward was that the public meetings should not be mandatory, that they should be voluntary. I think that is a significant statement that he brought forward on the basis of his

review and consultation with the industry and the public, and I think that comment supports the principle that is in the Bill, that it be voluntary. Who will make the decision? I think it will be a consultative decision between the executive, the board of commissioners and the Minister in the future. We all see the positive side of the public meetings, and as long as there is good positive need for them they will continue. I can assure the Members of the committee of that and I am sure the board chairman and the president would also share the same thoughts, that if the public wants them we will continue to have them.

**Mr. Uruski:** Mr. Chairman, just to the Minister, to ask him, I want to be very clear on the reports regarding the operations of MPIC. I should tell him I do not happen to agree with the judge just because he has made the recommendations about not having public meetings.

Quite frankly, I believe that corporation should be going out to the public continually because they are involved in the lives of about 200,000 motorists a year in terms of the accidents they have, and the circumstances of that involvement is not positive. It is negative. Those people are involved in a negative situation that they do not want to get themselves involved in and the knowledge of how insurance works is not there in most people's minds.

It would be the most positive move, I believe, on that corporation's part, as I am indicating to this Minister, that that corporation go out. He as well did not recommend about going to the Public Utilities Board and we have said that the corporation should go to the Public Utilities Board. I think this Minister is seeing here today and he is agreeing and the corporation is agreeing that the meetings should go on, and if they should go on, then he should be asking his colleagues to rethink the legislation. I think my Liberal friends here may have some thoughts on the new Act, that the hearings should be a part of the ongoing process of information and liaison with the public.

**Mr. Findlay:** Certainly I have to respect Judge Kopstein's recommendation because he held exhaustive consultative discussions and, for whatever reasons, there must be some reasons behind his suggestion that they should not be mandatory. He did not say they should not be held. He said they should not be mandatory. That is the position that we are in right now. We have had good success with them and as long as we continue to have good success and there is a need and the public is showing up, we continue with them. If they make them mandatory I could predict that three or four years down the road there may not be any reason to have them for one year because the public is not turning out, and we are spending money on a dog and pony show without attendance. Maybe we have them every second year down the road depending as events unfold. That way without making it mandatory, the corporation and the board of commissioners has the flexibility to respond to the public need.

I think as long as we as a corporation are involved with the service of the future, there will be obvious need to continue to have consultative discussions with the public and we will continue to do it. Down the road,

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once that program is in place and operating, there may be opportunity or reason to skip a year just to save some cost without adversely affecting the public's opportunity to have their opinions expressed to the Telephones.

**Mr. Roch:** Given the extraordinarily high Autopac increases this year and other potential increases next year, and given what is happening at MTS and has happened in the past, I think that these are all recent occurrences here, it is good idea to continue with these meetings. I would say now that possibly it might be a good idea to keep it in the Act, to keep it as it is. Let us prove that it is a good idea. I guess I want again to point out that the meeting which I attended on October 27, there was a time when attendances at these meetings were not especially high. They did not generate much interest, but again, given what has happened to our Crown corporations in recent times, especially this year, I think the people of Manitoba are more concerned and I am sure would like to have input.

At that particular meeting which was held, I believe at Glenwood School, it was despite the storm, as Mr. Thomas or Mr. Bird mentioned, and despite the fact that the meeting was held in Winnipeg, and despite the fact that several rural residents, if not most, received their notices after the meeting was over, I know all those informed as an MLA well ahead of the meeting. As a resident I received my notice on the Friday after the meeting and several people in the southeast received theirs on Mondays and Tuesdays. I do not know why that happened, but it happened. Again, despite all these problems, both rural and urban, attendance was good at that meeting. Before I go on to my actual question, I would like to know what happened that many people received their notices after the meeting.

**Mr. Thomas:** I would like to apologize for that. Some letters did arrive late and yet others were on time. Again we relied on Canada Post. We mailed almost 60,000 letters. We learned from the experience that we will have to mail earlier. We had written a number of types of letters, some to people in the community who were elected officials or prominent in the community in business or other parts of the community, and their letters arrived on time. Some people did not get their letters and we will mail earlier next year.

I should add however that this was a follow-up in a way to radio announcements and newspaper advertisements so it was intended to be a reminder notice. I think it was less the failure of the mail to get delivered than the weather conditions that accounted for the poor or relatively small attendance at the Winnipeg meeting. In future years we will plan ahead to allow time for the varying delivery dates of Canada Post.

**Mr. Roch:** You mentioned the weather as being a major factor for the low attendance. There was a lot about that, but why were there no meetings held in eastern or southeastern Manitoba? As you pointed out earlier, two were held in the North, two were held in southwestern Manitoba, but none in the eastern part of the province.

**Mr. Thomas:** Yes, Mr. Roch, again we followed a pattern on the map which took us to locations where the former tour by Ministers had not visited. We also were mindful of the costs involved in staging these meetings, costs both in terms of direct cost of advertising them and preparing for them, and indirect costs in terms of management time. Mr. Bird was at three of the meetings. Mr. Wardrop was at two of the meetings, and there were additional MTS staff in attendance at all the meetings, including the regional managers and local area managers.

So there are costs involved and some are direct and easily identified. Others are more indirect. We felt that five meetings for the first round would be an appropriate level of activity for this round and, as I say, we intended over a number of years to get within reach of most people, you know, commuting distance of most people over 60 miles or so.

\* (1120)

Yet, we had some complaints from people. I sent out the invitations on my office's letterhead and my telephone number was at the top, and I was very popular for a few days. I have some new pen pals all over the province now who have been writing to me, and we are getting responses to all the queries and the complaints that have been filed with my office or were presented at the meetings.

So we are following up the questions that were raised. We hope that this will demonstrate the responsiveness of the corporation to its customers.

**Mr. Roch:** The thought had crossed my mind that perhaps the corporation was hoping to avoid hearing from the residents of eastern Manitoba, but I take it that is not the case.

Nevertheless, despite the negative factors that I mentioned before, the storm, the late notices, etc., significant numbers of rural residents were able to attend. It is unfortunate that most of those who were missed were in the Dugald, Oakbank, Lorette, Ile des Chenes area, but essentially those who were attending had basically the same concerns. They had one common complaint, that people living in the towns, villages and the areas surrounding Winnipeg will be paying more money for less service.

Mr. Chairman, I have heard the same complaint too from people living around Brandon. Would the Minister reconsider his decision—I am referring to not extending these exchanges at the commuter areas—and commit this Government to providing those people living in the commuter communities—I do not like the term "French communities," it has a bad connotation to it—but those communities surrounding Winnipeg and Brandon, connecting them to the respective Winnipeg and Brandon telephone service to which they feel they are rightfully entitled to and which they are paying for? Will he exempt them from the proposed surcharges and increases?

**Mr. Findlay:** I will answer a portion of your question, but I take strong exception to your introductory

comments. You say the corporation does not want to hear the input of the public. I would hope that the Member is not meaning what he said when he made that statement because the corporation—

**Mr. Roch:** I think I clarified that statement after I made it.

**Mr. Findlay:** The corporation has been very positively communicating with the public and doing a very responsible job of delivering telecommunications service to all Manitobans.

With regard to the proposal that you bring forward that the commutersheds should have free access to the urban areas of Winnipeg and Brandon—

**Mr. Roch:** Not free, they are paying their bills like anybody else.

**Mr. Findlay:** —as opposed to the toll charges they are paying right now, I would ask him then, if you do that, do you then give the next zone free access also and then the next zone after that? Where do you draw the line?

There are certain costs associated with the ability of people to call from the commutershed areas into Winnipeg and, as I mentioned to the Member the previous time he asked his question, if we were to share that cost over all the residents of Winnipeg and Brandon, it would be about \$3 a subscriber that would have to be added on to their telephone bills to pay for that additional cost.

Otherwise, all members in the commutershed, if they were to pay the additional cost, it would be around \$12 or \$15 per person. I can assure the member that not everybody in the commutershed wants necessarily access to Brandon and Winnipeg at a cost of \$12 or \$15.00. So, the proposal that will be brought to PUB is that they be given an option of purchasing a package to call into those areas at a specific cost for a specific amount of calls, and I think that will be a choice that they will make, whether they want to purchase the package or they do not. I do not want to force it upon them that they have to. Everybody has to share that cost.

Maybe the president would like to comment further on it but, any time you give more people access to a particular area, there are costs associated with the delivery of that service. We have to pay our employees, we have to pay the costs of lines and all the additional services. The corporation, in one of its goals, wants to be a fiscally responsible corporation. This is what they are doing in the process of bringing the proposal forth that is coming to the PUB. The president might wish to comment further.

**Mr. Bird:** I think the Minister summed it up very well. I think that there is an increased demand for the type of service that has been mentioned. I think the plan that we have addressed is financially responsible. It moves in the right direction.

We are in a unique industry where the demand for our services is increasing, and I am thankful for that.

We are trying to address the demand as quickly as possible. The plan that has been tabled is that, first and foremost, everyone in this province will have an individual line and, secondly, that the people in, shall we say, the rural areas have the right to call the central services by reducing the number of free-calling areas from 160 to 60 as the two major planks to the program.

Also, we introduced a plan to address what we call the extended urban area which is to give them the option for a major reduction in their toll charges which was the biggest element of their concern of 50 percent for a \$5 charge. Depending how well that is received and if it is approved by the PUB and implemented, I think we are in a dynamic environment. That will be the first step and years from now or several years that we will even improve on that. Technology changes—and we will continue to attempt to meet the demands of the public.

The Minister mentioned some dollar figures that would be required to increase the monthly charge to those residents if they wanted to go on a flat rate. Those figures, I believe, were based on current calling patterns. When we engineer our switches on our trunks, we do that based on a financially responsible criteria which is based on calling patterns. As we implement change in our total system, calling patterns change. As a matter of fact, as we reduce toll, we see the volume goes up significantly. We have to plan and engineer additions to switches to handle increased calling patterns. Those are not cheap and they are not easy to do. So we try to implement a plan which will evolve us towards where we want to get over an adequate time frame and also at rates to the public which will ensure universality of service so we will not increase rates so great on a monthly basis that people in our society will be forced to back off the telephone service because they cannot afford those rates.

**Hon. Jack Penner (Minister of Natural Resources):** I have found some of the comments rather interesting around the table. I refer to the initial opening comment that Mr. Thomas made when he referred to the word "profit" and then corrected himself to the word "contribution." I would suggest to him, in my presence, the word "profit" is not a word that might not be easily used. I think, I rather appreciate the word "profit." If you do not make profits, it is seldom ever that you can make a contribution to anything. So in my company, it is quite acceptable to use that term.

The second one is in reference to the comments made by Mr. Uruski in referring to the consultative process. I find it rather interesting that the NDP would suggest that we should proceed with consultations whether they are required or not. I think that is just an indication as to why especially rural Manitoba voted so strongly in favour of a new administration, and to look at new ideas and administering especially public corporations in a more responsible manner.

I think that is what you are saying when you are referring to being very receptive to doing consultations out in country, if and when required. I think we should listen very closely to what our subscribers are saying and what the public requirements are and act accordingly.

\* (1130)

The other one is that I thought that Mr. Roch's comments re the services that had been announced in September by the Minister were rather interesting, because any of the comments that I have heard about the initiatives that MTS is indicating that they will take have been very, very favourable, and especially the announcement that there will be an initiative or a rapid movement towards privatization of lines.

I, for one, was in a position not too many months ago where I used my telephone an awful lot, and my telephone bill ran anywhere between \$400 and \$500 a month. It was not uncommon at all. To be on a party line under those kinds of circumstances is not so much a difficulty for the person who uses it but for those who are on the same line with him. We had some difficulty and those people who were on the same line with me, when I eventually did acquire a private line at the cost of some \$800, the comments there were also quite favourable.

I find that the rates that we are discussing or that might be in the future that Mr. Roch was referring to and when he was indicating that the service was less and we were paying more, I would suggest to him that he might well want to take a trip south of the border and ask them what kind of rates, especially when he is referring to increasing toll-free zones. As to what kind of base rates they are paying over there, I would suggest to him that the base rates across the line, right across from where I live on the American side, are somewhat five times the amount that we pay. If that is what he is indicating that we should be looking at, I find that rather interesting because I would think that rural subscribers especially and also urban subscribers might find those kinds of rates rather excessive.

**Mr. Chairman:** I am just going to ask the committee—as you know, I am a little new. Mr. Roch has had 44 minutes and Mr. Uruski has had less than 13. So I will recognize Mr. Roch, and then we will get back to Mr. Uruski. Would that be a fair division of time?

**Mr. Roch:** Okay, I would just like to finish this particular issue on commutersheds because I never made or even suggested that the rates, as Mr. Penner says or attempts to put words in my mouth, should be the same as they are south of the border. What I am saying is that we are talking about a corporation being responsive to its subscribers. I am saying that they have been saying loud and clear, and not just from the area that I represent in Springfield, but also from areas such as La Salle, Sanford, St. Francois Xavier, all those areas which are paying hundreds of dollars as well in long distance bills. Sure, some are casual calls, but several of them are for business reasons, calling a doctor, whatever. Mr. Bird himself said at a meeting on the 27th that telephone service in the home is not a luxury, it is a right.

In many cases, because these are bedroom communities, they are places where they do not have all these facilities, they are obligated to use long distance telephones. Mr. Findlay mentioned that they had two options, a \$3 to \$5 a month increase on

Winnipeg bills overall or \$15 to \$20 bills for those which would be added on.

In talking to various people—as a matter of fact, at that meeting in St. Vital, there was an urban resident who said, if that is all it costs to add on those areas, it sure made his problems pale in comparison. He said he, as a Winnipeg resident, was quite prepared to pay it. I suspect in talking to other people, that is a feeling that runs quite widely because it is not just a question of those areas phoning in to Winnipeg. A lot of people in Winnipeg are also phoning out there because they have relatives and friends which have moved out.

But even if it came to the point of just paying the extra \$15 to \$20 which Mr. Findlay mentioned a while ago, again the residents there would be quite willing to pay that to be able to have access to those exchanges without paying long distance every time they pick up their phone. Either one of these options would have been accepted by most people, urban and rural, I suspect.

The one that has been chosen, this 50 percent discount on long distance calls really insulted those residents. It is a far cry, it was never even asked for, it was never even mentioned. It seems to have come out as just a tokenism.

I realize that long distance charges generate extra revenue, not just for the corporation but also for the Department of Finance, provincially and federally, through the sales tax. Possibly that is a factor that is being kept in mind too when they restricted the access on these exchanges but this 50 percent discount which applies only to those people around Winnipeg, calling to Winnipeg, and applies only to those people around Brandon calling to Brandon, in my opinion and in the opinion of most residents who live in those areas is hardly what they wanted. It is totally not equipped to their needs and it is an insult. It is basically rubbing salt into the wound. But specifically on that issue of that 50 percent discount, it says to a maximum of \$50.00. Is this \$50 a maximum discount or is it the maximum amount that will be discountable? That has not been clarified.

**Mr. Bird:** The proposal in front of the Public Utilities Board will be that for a \$5 fee you will get a 50 percent reduction in your toll charges up to a maximum of \$50.00. So if you make \$60 worth of toll calls into Winnipeg, the first \$50 you will get a 50 percent discount and the other \$10 you will have to pay the full rate for.

The idea of the plan was to address the issue identified that if there is a real necessity to call into Winnipeg for some special service, we feel that the \$50 is significant to cover that and we realize that the demand out there, in many instances, is far greater than that, but we feel that this is a good program and one that will be adopted by residents in that area who want it. The good thing about the plan as well is that the subscriber can make that decision and if there is a subscriber out there who, for whatever reason, lives out there but does not make that many calls into Winnipeg, we feel that it would be inappropriate to approach him with an \$18 or \$20 increase per month

so that other subscribers could, at this point in time. So this is an optional package which people can pick and choose from and we will monitor the usage of it.

**Mr. Roch:** I appreciate what you are saying but again it does not address the concerns that these people have been lobbying for several years under two different administrations now. It is a complete reversal of the position the Conservative Party had taken while in Opposition. At that time they were saying that it was a good idea and several Members, including myself at that point as the then Government questioned that issue and we were pushing for that. And now that the Minister is in a position, or the Government is in a position to do something about it, it has chosen not to. No sense belabouring the point because obviously they are not going to do anything about it for the foreseeable future.

My next question, I have several, but I will ask one more and let Mr. Uruski ask some questions or other members of the committee, what about the cost, what has been termed the exorbitant cost of FX service. Is anything being done to reduce those costs, I mean enlarging the access of calling areas would solve that problem. In the meantime, because it is not being done, many people are forced to use FX service and it is costing them an arm and a leg in some cases.

**Mr. Bird:** FX service, you mean foreign exchange service? This program announced by the Minister does not address FX service. FX service is a service we offer which is based on mileage and our cost. The farther you are from the foreign exchange that you want to have a dial tone from, the greater the cost is to you. So the short answer to your question is, there is no element of this program which addresses that program specifically.

\* (1140)

**Mr. Findlay:** I will just make a couple more comments on the basis of the questions Mr. Roch has asked. The access from the commuter shed into Winnipeg and Brandon is not totally cost neutral. There is some cost the corporation is going to pick up, and even the service that is being offered, in terms of the 50 percent reduction up to \$50.00.

The other thing is, as I mentioned earlier, when do you stop drawing the line? I guess it would be desirable in many people's eyes to have one calling area in all of Manitoba and that might be the fairest, most equitable way to run the corporation, everybody is equalized as to the telephone and through the telephone to every resident in the Province of Manitoba, but the cost would go from about \$8 a telephone up to \$27 to supply that kind of service. That might be the desirable direction to go, but we know that the public at large, particularly those who are paying \$8 now, would not want to have their basic telephone cost rise that amount, so we have reached a compromise and that compromise will be presented to PUB. If you or anybody else wants to intervene that is the time and the place to do it. That is why the PUB is there.

**Mr. Uruski:** I would like to ask to go back to a few of the points that were raised earlier and then go into

the question of the rate application to the PUB. Can the corporation tell me what assumptions are used in this whole question of the currency losses and amortization of the currency losses? On the one hand it is shown as a cost and the cost has been reduced in the annual report from \$71 million down to \$57 million, and maybe they can explain what that drop is. Is that a repayment of one of our major borrowings, and—see, in the annual report in the debt charges, reduced from almost \$72 million down to \$57 million previously.

**Mr. Fraser:** The reason for that is that we are comparing a 12-month period with a 9-month period, so that on any other basis that number would be larger.

**Mr. Uruski:** To Mr. Fraser, what assumptions are used to calculate the losses on foreign currency at any particular time? That, in my mind, is—I guess from an accounting point of view it has to be done, but from an actuarial point of view the debt is not repayable until maybe 5, 10 or 15 years down the road. However, we are showing a loss today and that is the assumptions I wanted to know. Is it today's interest costs, if we were to repay that debt today and that is the loss, even though, and I will use the other assumption, 15 years from now or 10 years, whenever that loan may have to be repaid, the strength of our dollar may be far different, may be worse, but it may, as well, be higher. Then that of course has to be reflected back into the accounting. Maybe from an accountant's point of view, it is the right method of accounting but it is a real—what word would you use to describe it? It is a hide-and-seek kind of a situation because although you are showing a loss, it is really not a loss because you are not paying it out today but you are showing it. That is the dilemma.

I guess it is the same in the insurance industry as well because of the unreported in the reserves that they use. Perhaps an explanation would be in order.

**Mr. Fraser:** Mr. Uruski makes an excellent point. We have no flexibility in terms of the way that we do deal with foreign exchange. We are required to follow the Canadian Institute of Chartered Accountants generally accepted accounting principles, and that is the benchmark, that the auditors review these financial statements to ensure that they are presented fairly in accordance with those principles.

But the point that has been made is that we value those things as of the end of the year, and in current terms being December 31, as of the foreign exchange rates at that particular point in time, which can be very misleading because it is just one point in time, and you could have very substantial fluctuations around that period of the year that change literally days later. Your numbers, as of the middle of January, could be substantially different than they are as of December 31.

From an accounting concept point of view, there is always a tendency to view these things from a conservative point of view in accounting terms, in terms of recognizing potential bad news and losses. As soon



as there is information available to reflect that, and on the other hand, there is a real hesitancy in terms of reflecting positive news, so that these potential losses are recognized as of the rates at December 31, and there certainly is the possibility that within any period of time, or the remaining life of that, that the currencies could change and could go back to being equal or could, in fact, be in a position where the Canadian dollar was superior to a particular currency, U.S. dollar, for example. That is why it is done on an annual basis. The issue that we talked about earlier in terms of these deferred assets, it is spread over the remaining life of it. So that if there was an improvement that would be factored in the next year.

But you are certainly right, in terms of the sense that if we look at December 31 this year, let us say, with the U.S. dollar, and that issue has a 15-year life or a 20-year life, that value may bear very little relationship to what it is going to be in 15 years when that issue matures. So we just take it sort of a step at a time and deal with it on a conservative basis.

**Mr. Uruski:** Is there some blending during the year, in terms of, let us say, the next year's snapshot? Do you do any blending of the gyrations that the currency exchange may take in order to arrive at year-end, or is it that one snapshot at the end of the year?

**Mr. Fraser:** It is that one snapshot at the end of the year. As I say, we do not have the flexibility in terms of dealing with it in any other way. That is a requirement on us. In fact, the province does do blending, in terms of looking at its foreign exchange exposure. But, in fact, that is one of the things that in their report that Stevenson Kellogg recently did was they suggested that they not do that, because although it may provide for smoothing out some of these peaks and valleys, in an average of three years may represent a more meaningful number than at December 31 number, what they were afraid of was that might influence financing decisions because you would have those three-year numbers, and you would know that if you went into market at a particular time to do a swap or to do a borrowing, what that impact would be. It may have a negative impact on that averaging, but it may be a very prudent thing to do in terms of that particular issue. Their feeling was that issue should be dealt with in terms of the financial prudence of the decision that is being looked at, as opposed to looking at the impact of averaging over a three-year period.

**Mr. Uruski:** Over the period of the loan, you have accumulated losses based on the whole host of years of currency fluctuations. Could it make a major difference in the year that you pay off the loan if your currency then is at a very positive? Will that really then tend to skew your financial statement at the end when that loan matures? Does that happen, or is it the balancing out over the years that you give or take in your accounting will balance that off, or will there be a major skew in the year that you pay off your debenture?

**Mr. Fraser:** Normally there would not be a major shift. There could be a major impact, but it would tend to

be in the same direction. Normally what happens is that the comparison between one currency and another over a number of years tends to be going in a particular direction; it is not continually changing direction.

In the year that we are looking at, for example, in terms of where we lost the \$19 million, one of the very major reasons for that loss is in terms of foreign exchange and, in particular, one issue which was in Japanese yen which had been, I believe it was a 10-year issue. For the majority of that 10-year period, the Japanese yen in relation to the Canadian dollar was relatively stable and we had a very positive interest rate on that in comparison to domestic interest rates. In the space of a 12-month period the Japanese yen appreciated 150 percent against the Canadian dollar, so that even though for nine years we had been recognizing at the end of the year what the change was in amortizing it each year, we ended up being far short in that last year in having to write off an additional \$12.5 million just in relation to that one issue.

It can be skewed but it is normally in the same direction. They are not normally over a five- or ten-year period changing directions a number of times.

**Mr. Uruski:** I thank Mr. Fraser for some enlightening in that area. I think I have a better grasp of it.

The corporation and the Government announced the rate change pursuant to the plan that is now being filed before the Public Utilities Board. Can we just have a recap of the various rate announcements? There was, as I recall, the general rate increase across the board. There was the \$1 per month increase flat across the board, and there were two components of the rate increase in urban Winnipeg. I would like that recapped for me if the corporation may, because I have some questions with regard to revenue and the impact on revenues from those various increases.

\* (1150)

**Mr. Bird:** The proposal that was placed in front of the Public Utilities Board basically states that to implement the individual line service program, to implement the community calling package, to implement the program for the physically handicapped, to implement the extended calling package, to maintain our financial viability and to ensure that our rates for basic service remain the lowest, if not among the lowest in Canada, were that we would require a \$1 levy on all residential phones in the province, urban and rural both, \$2.50 levy on individual line business telephones, \$4 levy on multibusiness trunks, not multiparty lines. In addition to that, there was a 5 percent rate increase to be effective April 1, 1989, and April 1, 1990, to allow us to carry on business as usual.

The idea of that concept was that the levy was to provide us with the money to increase the standard of telecommunication service in this province to pay for basically the \$800 million program to increase the standard. The 5 percent rate increase was basically a rate increase that we required just to carry on business as usual generally.

In addition to that, we also incorporated the reduction in long haul toll which is rough 8 to 10 percent to be

effective January 1, 1989, which is roughly three or four months ahead of the rate increases. When you combine all of that together and you look at the rates, the average increases that any subscriber would realize, they are in an area of 5 percent or less. In addition to that—I just lost my train of thought there for a minute. I think that was basically the fundamental program that we adopted, so that the Public Utilities Board could look at the levy and compare the levy to the program and compare the rate increase that was required on April 1, 1989, for our business as usual. So if the program, Service for the Future, did not go forward, you would still require basically a rate increase of 5 percent April 1 just to carry on our business in Manitoba.

**Mr. Uruski:** If I recall, there were two other components to that announcement, perhaps a bit of clarification. There was the additional moving of the City of Winnipeg because the city was at its peak in rating area. There was an additional increase, if I am not mistaken, by bringing the city into another category, another rating group. That would have been an additional group, just so that I am reading it right and understanding it. As well, there was a question regarding a pension liability which impacted on this increase and the period of time there. Is that a fairly accurate understanding on my part?

**Mr. Bird:** Except for the fact that the rate group change for Winnipeg was a completely independent filing in its own right. Part of the philosophy of rate setting in telecommunications is a value of service concept. On April 22, we tabled with the Public Utilities Board an increase in Winnipeg rates because they had exceeded the existing rate group levels which had previously been approved by the Public Utilities Board. Those hearings were held on the 15th and 16th of September and a decision was just made last week. That whole filing and hearings were completely independent of this Service for the Future Program.

It is a rate increase. You are absolutely correct, but it is not part of the funding for the Future Program except that when we put together the funding for the Future Program we took into consideration the fact that hopefully this would be approved and the revenues from that reflect in what we would require in the later rate increases that we table with the Public Utilities Board.

**Mr. Uruski:** And the pension question?

**Mr. Bird:** As I indicated in my opening remarks, there was a six-part program. One of them is the financial viability. We tied into our rate increases a necessity to reduce our debt-equity ratio which was discussed earlier this morning by 1 percent a year, and also to finance this pension liability which MTS has over the next 15 years, the monies to cover that liability are included in the rate increase proposal we have as well.

**Mr. Findlay:** Just one thing I would add just to further help the Member understand the situation with regard to the rate group increase in Winnipeg.

Telephone rates are charged on the basis of the number of lines, the number of telephones in a particular

area. We had nine rate groups in the Province of Manitoba and throughout rural Manitoba. You could be in rate group 1, or 2, 3, or 4. When your number of lines rises over the maximum limit in that rate group, you automatically move into the next rate group without any public hearing at all. That has occurred some 80 times since 1980, affecting 100,000 telephone subscribers. So it just happens quietly and that is perfectly legitimate.

In the Winnipeg case, there was no rate group 10 in place. So once they moved through the ceiling of rate group 9, which has some 375,000 telephones. There was no rate group 10, so the only way you could get rate group credit was make application to PUB, which makes it look like a significant issue which, when in reality had rate group 10 been in existence, it just would have quietly happened by regulations.

**Mr. Uruski:** Mr. Chairman, I accept and I understand the process and the rationale. Nevertheless, when you have the whole host of programs that are put into place, could the corporation tell us or give us a breakdown of the impact of the various changes on revenues? Do they have a breakdown from each area? What does it mean in terms of revenues raised for all the other areas? I guess, just to lay it on the line of where I am heading so you will know what will follow. The question about pensions, should that have been a consideration, that the pension liability, including the viability clause of reducing debt equity ratio, should that pension cost have been amortized let us say over 20 years and lessened the impact of all the changes at one time?

No matter how you put it you have got a \$1 increase for everyone, and I know everyone is agreed on that. It may be an issue to the actual consumer but in terms of the politics of the issue here as MLAs no one can say well, I was against that kind of thing because we all supported that, and the business, and the multibusiness lines and the 5 percent increases to keep on business—not an issue. When coupled with all of that, you then make a jump, and I am not saying that jump should not be made. I am saying, was there a way? When we look at the revenues, maybe that way of blending or lessening the impact on the Winnipeg subscriber, that additional rate jump, I would like to know what that means in dollar terms and in every category. What would that mean on corporation finances as well as the pension question?

**Mr. Bird:** One of the beauties of looking at long-range planning and putting this plan together was you can look at various scenarios, and we tabled with our board, I think the Chairman would agree, several options that were available for us to pursue and the effects on the rates to drop debt equity, fasten on 1 percent, to not amortize the pension over 15 years.

The two major elements that we kept in mind in all these various scenarios were first that ILS individual lines to rural Manitobans was a must and had to be implemented as quickly as possible, and secondly that our rates in this province with this proposal over the next three or four years were such that they, if not the lowest, were amongst the lowest in Canada.

This plan addresses those two criteria, but there were scenarios developed which did decrease debt equity

faster, but it caused rates to be higher. The pension liability should have been funded when it was incurred. It was not. That one could look at funding to now or 5 years or 10 years or 15 years or 20 years or 25; the plan that was in place when I came here was 15 years. We looked at the 15-year scenario. We put it in our equation and it came out with the numbers you see in front of the PUB now which reflects these rates being the lowest in the country, or amongst the lowest. So we stuck with the 15-year amortization program with that pension liability. One can argue that it could be 13 years or 17 years and that is up to the Public Utilities Board to address.

\* (1200)

**Mr. Uruski:** In all those, there is also the reduction in the extra provincial rates because of the pressure of deregulation that the out-of-province rates were in fact decreased. Mr. Chairman, you have indicated that. It may be a positive move to individual subscribers, particularly the corporate subscribers who use the trans-Canada rates, but it certainly is not from a service point of view of rural and northern Manitoba, although we do use intraprovincial rates. The interprovincial rates impact negatively on our rates. In effect, and maybe the general manager may clarify that, but they do impact on the cost of our services. The revenues from those rates, as I recall, were on the positive side and gave the corporation the ability to provide the kind of services that we require in rural and northern Manitoba to increase telecommunications, and that are necessary, but that pressure is on there right now.

**Mr. Bird:** I would just like to add another interesting comment to my previous comments. We also looked at the average bill in Winnipeg, in a rate group 4 area and a rate group 1 area and in northern Manitoba. Interestingly enough, the average bill that a subscriber pays is between \$33 a month in Winnipeg and \$35 per month in the rural parts of the province, in the southern part, and it is about \$68 per month in northern parts.

When you look at the elements of that bill, you are quite right, the citizens of Winnipeg pay a larger percentage in intraprovincial toll than for local. The rural subscribers pay a larger portion of intra-toll than they do for inter-toll, or for local.

We took under consideration our package because when you put the dollar levy on Winnipeg, Winnipeggers could state why are we paying a \$1 for this rural program. We are saying because it is required standard of service in Manitoba and therefore everyone should pay. But Winnipeggers were also reducing long haul toll by 10 percent, which is a greater impact on your bill on the average bill than it is on rural Manitobans. So you are getting the benefit out of that although you are paying \$1.00.

Rural Manitobans pay \$1 for their local bill, which percentage wise is greater than Winnipeggers paying on a percentage basis. One could argue that is how it should be because they are going to get individual lines and larger free calling areas. So it is kind of a balancing act here as who should pay what, what is

equitable to most people? We felt that by looking at the average bills and by looking at how those bills are paid as towards local service or intraprovincial or interprovincial that the proposal that we have in front of the PUB, most equitably we feel addresses all those concerns.

The northern residents, interestingly enough, although \$68 is their average bill, it is equally interprovincial and intraprovincial. Although intraprovincial toll is going up, inter is dropping. So their average bill will roughly stay the same. In fact, it will drop a bit because the interprovincial is dropping more than the intra. So one can say they are getting a better deal than the rural subscribers in southern Manitoba, but most of the rural people already have individual lines. So one could say then they are not getting the greatest of benefits. When you look at the whole picture, it kind of comes together as, we feel, a pretty equitable program, although elements of it could be looked at to say this specific is not right in this specific element. Overall, we feel that the plan we have tabled and spent a considerable amount of time putting together and discussing with our board is probably the most equitable program that one could initiate at this time.

**Mr. Uruski:** The question of revenues—is there a breakdown of revenues from the various rate changes, decreases and increases in terms of the actual rate changes that you foresee over the next year? Are those available for Members?

**Mr. Bird:** That information is available and will be tabled with the Public Utilities Board. I suppose that information could be tabled with the Members here as well, if that is the desire.

**Mr. Findlay:** I have a little bit of reluctance maybe about tabling information prior to the official tabling at the PUB because then it creates possible negatives. I would hope that if the Members could wait until it is tabled at PUB, that would be the most appropriate time to do it. I think some changes may even happen as the data is evolved and then developed timely for that application which I understand will occur February, March, thereabouts in the next year, or expected to be.

**Mr. Uruski:** I can recognize that in terms of timing, of tabling of that information, that if it coincides with what is happening at the board, I have no difficulty with that. In terms of the publicity and the process that the corporation is involved in, I would not want to preempt the corporation. I have no difficulty of the corporation providing the information to Members at the time that they table it.

**Mr. Findlay:** I think if you are prepared to accept that, I am sure that we can make it possible to table the information with the committee members at the time it goes to PUB. Whoever the committee Members are, I think we could address it that way, so that you get it at the same time.

**Mr. Uruski:** Could I ask the Minister whether there has been in terms of scheduling on these proposals of rate

of service improvement throughout rural and northern Manitoba—the decreasing of the calling areas—is there now a revised or will there be a revised map that will go to the PUB along with that and when will that be made public or is it public now?

**Mr. Bird:** We have all the “i’s” dotted and the “t’s” crossed in both the individual line program and the proposal for the community calling but again it is subject to scrutiny by the PUB and in fact may change. I would like to suggest, as the Minister has previously stated, that when those preliminary hearings start, and I believe the first day of preliminary hearings is November 18, that information that we table is available then, we will table with the committee Members as well.

**Mr. Uruski:** I think that is satisfactory in terms of the new proposals and the new map and whatever, the preliminary hearing, if it is tabled through us through the Minister to whoever is on the committee then will certainly be okay. The revenue question will be dealt within those proposals as well, that I have raised.

\* (1210)

Can I ask the Minister, in terms of the whole question of deregulation we talked about and the reducing of revenues from interprovincial telephone rates, has the province set its policy vis-a-vis the deregulation and the competition policy that is bringing forward and/or has the federal Government come out with their policy in the last number of months? Where is it at? When we were in office and the whole question of, as one example of this whole area, taxation of long distance rates, the former Minister wrote the federal Minister indicating that we would be prepared to scrap the provincial sales tax on long distance charges if the federal Government would not impose a 10 percent sales tax on long distance charges, which has a very major impact on primarily rural, again, and northern Manitobans based on their long distance calling. That of course has gone nowhere. While they are two separate issues, they are really intertwined in terms of the future of telecommunications policy in this country. Are we going to continue to face the kind of competition that now is coming in and what we see has occurred south of the border? Where is the Government's position in this whole area and what have they said to their counterparts in Ottawa, or where is the issue headed?

**Mr. Findlay:** I will make a few comments and then maybe the president or the chairman of the board may want to make some additional comments. Certainly there are some challenges ahead of provincially regulated Crown corporations for telecommunications in the future with regard to activities that are happening somewhat out of our control. The CNCP AGT issue that is in front of the Supreme Court, the decision has not come down yet. It has been expected weekly now for a long time. When that statement comes down as to how the Supreme Court is going to look at the appeal, it will affect a lot of our activities in the future with regard to our ability to control our Crown corporation and set rates.

We have been attempting to get some discussion with the federal Government prior to that decision. They

have chosen not to engage in any kind of negotiation prior to it. Not only Manitoba, but AGT and SaskTel have also been looking at it and wanting the same thing. It is in a bit of a stalemate right now and there certainly are potential difficulties ahead. I think the chairman of the board might like to comment further because they have been more closely in touch with the day-to-day activities. Right now the negotiations that we have attempted to have with the federal Government have not materialized.

**Mr. Thomas:** I would just add a brief word. The CRTC order to Bell Canada to reduce its interprovincial long distance toll is not deregulation. It is a fact that the toll reductions are being affected through regulation. It was a case that Bell has been showing such handsome profits in recent years and the toll was priced so much above cost that they were ordered to bring the prices down. It has had a domino effect across the country of other companies having to come into line with Bell Canada's rates. Likewise, BC Tel was also ordered, which is federally regulated, to bring down its rates, but it is not deregulation per se. It is being affected through the regulatory process.

There is a CRTC Task Force on competition in long distance voice message chaired by Mr. Bud Sherman, who will be familiar to this group, and their report is expected momentarily, I understand. It looks at the question of the future in terms of entry of other providers into the long distance voice market. That is what CNCP was challenging AGT over was the opportunity to connect to the switch network of Alberta Government Telephones. So with the Sherman task force report available and with the AGT ruling coming down from the Supreme Court, presumably then Ministers in federal-provincial forums will debate and decide future direction in terms of public policy and regulation.

I should say, on behalf of the MTS Board of Commissioners, that we have been kept very much in the picture on this through the presence on our board, the Director of the Telecommunications Policy Office in the Government of Manitoba and through collaboration with him on federal-provincial matters. We keep informed and on top of this. We are, after all, the operating entity that will have to deal with deregulation if it comes or with long distance competition, so the collaboration has been quite satisfactory from our standpoint.

**Mr. Uruski:** Can I ask the Minister, is the province prepared to, or continuing to take the same approach on telecommunications policy and their response, or at least their view, and discussions with the federal Government that previously were in place with respect to deregulation and the whole area, or has there been any direction given by the Minister in this area? What direction, if any, or change, if any, has been given?

**Mr. Findlay:** I have given no different direction for the corporation. We are awaiting this decision to come down. We will have to respond in a fashion that is best for the telecommunication corporation here in Province of Manitoba.

**Mr. Uruski:** Is the Minister fully apprised of the implications for Manitoba subscribers with some of the

applications and the like that are pending between CN and the challenge between CNCP and the CRTC ruling? Have we, as a province, made submissions to the CRTC on this issue?

**Mr. Findlay:** We are certainly aware of the impact if we have less income from the interprovincial toll which is, I guess to use the word, lucrative income, which the corporation uses to keep the inside-the-province rates relative low. Sure, we are aware of it, but whether we can control what is going to happen is very difficult to say. What the decision will be and what impact we will be able to have with the federal Government—whoever they may be at the time—in terms of their reaction to our concerns is an open-ended question, which there are no direct answers at this time.

**Mr. Uruski:** Should the province be taking a proactive stand in this whole area to raise the consciousness of both the consumers, primarily the consumers under our jurisdiction, of what the impacts might be? The previous Minister, during the meeting process, that question was raised continually by Manitobans at the hearing process and the impacts were made. Is that an approach that the Minister is considering at this point in time?

**Mr. Findlay:** I guess, since nobody knows what the decision will be and what direction it will take us in, we can all speculate and maybe speculate the worst scenario. I do not really want to be one to raise fears that are not well-founded. I think we will have sufficient time after the ruling comes down to deal with the issue, once we know what direction we are going to be forced to go into, if I can use that word. We will deal with the issue as it unfolds. To go out to the public and say I am worried about this, I am worried about that, I think it would not be constructive for us or the customers at large to deal with something before it happens. Let us face it, the issue is between AGT and CNCP; it is not with us directly. Naturally it has implications for us, but in that light we have an opportunity to attempt to deal with it and we want to deal with it in conjunction with our neighbours to the west. A united voice is stronger than an individual voice. We have a meeting set up with the Ministers of three prairie provinces just a little bit down the road to address this.

**Mr. Uruski:** Has the Minister approached the federal Government dealing with the whole question of the sales tax on revenues and impact on Manitoba consumers? I do not know if my figures are out of date. Maybe the System can provide what revenues are presently flowing to the province on the sales tax and what revenues are flowing to the federal Government. Is it at roughly 2 as to 22 or thereabouts on the way it is applied?

\* (1220)

**Mr. Findlay:** I will just see if anybody has the figures as to what revenue is flowing. We will have them the next day.

**Mr. Uruski:** Is the Minister prepared to continue to push that whole issue? That is an issue primarily—well

for all, both for Manitobans but the greatest impact of course is on Northerners in Manitoba. Basically, it ends up being double taxation because the 10 percent is applied on not only all long distance calls but on the total amount of revenue, including the provincial sales tax, of the cost to those subscribers, recognizing provincial revenues and the like. This was the one component of the federal proposal of placing a sales tax on all consumer goods and services or at least moving to capture an indirect revenue base for them which had a very negative impact on all citizens of the province but primarily citizens in northern Manitoba in terms of both doing business, but also the consumers on the costs of the sales tax as applied to long distance calls.

**Mr. Findlay:** As a former Member of Cabinet, he well knows the importance of revenue flowing to the province through the tax that the province applies.

In terms of the tax that the federal Government is putting in place, certainly after the 21st we are prepared to make representation to ask them to remove it, whoever they may turn out to be.

**Mr. Uruski:** I am very pleased that the Minister is prepared to continue that approach to the federal Government in this one very important area on behalf of provincial consumers, particularly those in rural and northern Manitoba, having been given the average cost of available impact on everyone within the province. Perhaps I can defer to my colleague for the remaining few minutes.

**Mr. Kevin Lamoureux (Inkster):** I just have a couple of quick questions regarding the Board of Commissioners. From the December 31, 1987, Annual Report to what was handed out by Mr. Thomas today, there seems to be a rather large number of replacements on the Board of Commissioners. I was wondering if he might be able to indicate to me, is this usual? From what I understand, six of the nine commissioners were replaced with other people, if he can maybe answer if this is usually what happens?

**Mr. Thomas:** It is an obvious point that the board changed when the Government changed in the spring of '88. The practice has been, with a number of Crown corporations, to make changes on the Crown corporation boards when a new administration came to office, so I do not think anyone then serving on the board were surprised that their services were no longer required, and we have gained a group of very hard working and creative people. The board I think is functioning quite well so two employee representatives remained on the board and I remained as Chairperson of the Board of Commissioners.

**Mr. Findlay:** I would just add that, no, it is not unusual that changes occur when the Government changes. The Member for Interlake in our Estimates clearly said that he recognized the right of the Minister to make changes and we changed six of nine, left the two employee reps and the chairman, and I commend all the past members of the board for the services they have given to the public of Manitoba and I believe that

the present members will give an equally high level of service to the Province of Manitoba.

Also keep in mind that I do not think that anybody has the right to be on a board forever, that other citizens of the province have the right to serve the public through those offices and, in that light, we made the changes and commend the people of the past and look forward to good contributions from the people presently there.

**Mr. Lamoureux:** Mr. Chairperson, again, maybe if you can give me another answer regarding how long has it been the practice of this Legislature to have an MLA on this particular board?

**Mr. Findlay:** The Member for Interlake (Mr. Uruski) thinks it is in the legislation and that may well be, but I know it has been the practice for a long time. But, recognize that the MLA on the board is not in Cabinet, so he is not at the decision-making level of Government; he is an MLA on the Government side, but not in the Cabinet.

**Mr. Lamoureux:** Just for clarification, Mr. Chairperson, it is through legislation that an MLA has to be on the board?

**Mr. Thomas:** I would have to check to confirm that, I know it has been the longstanding practice, as someone who has studied Crown corporations in my other roles as a Professor of Political Science and Public Administration, it has been a long-standing practice. In fact, sometimes the MLA on the Board also chaired this committee, which was an unusual arrangement. That practice has been discontinued but we have had an MLA on the board for quite a number of years now, sometimes in the role of vice-chairman of the corporation board.

**Mr. Lamoureux:** Mr. Chairperson, if I can ask the Minister, what does he perceive the role of the MLA that is currently on the Board, what type of input do you look for him to put on the Board?

**Mr. Findlay:** I think I would say the same as any other board member. He is there representing, first and foremost, his constituents, but secondly, all the citizens of the Province of Manitoba, as are other Board members. I do not see his role as being any different.

**Mr. Uruski:** Just for clarification, the staff here provided Section 15 of The Telephone System Act does provide the authority for an MLA to be a member of the commission. It basically reads: "Notwithstanding The Legislative Assembly Act, a Member of the Legislative Assembly, who may also be a Member of the Executive Council, may be a commissioner and a member of the board and may accept, from the commission, salary or remuneration in his Act. He does not thereby vacate or forfeit his seat or incur any of the penalties imposed by The Legislative Assembly Act for sitting and voting as a Member of the Legislative Assembly."

I guess, historically, Mr. Chairman, it has been a practice to have MLAs from the Government side to provide some continuity and some liaison between the Government and the Crown agency, and gain some experience, as well as provide on behalf of citizens, as if they were a consumer, and they are consumers as MLAs as well, and I think that is part of the history of having MLAs serve on boards and commissions, not only Crown agencies, but on Water Commissions and other agencies.

**Mr. Roch:** I do not think there is time to go into the area of individual line service. I had a few questions on those. One line, as I was sneaking through the report, struck me. On page 13, there is a photograph of a person with a Harper NDP button. Is this normal to be done in Crown corporation reports?

**Mr. Thomas:** No, that was an oversight. We deliberately wanted to have a report portraying MTS employees. We particularly wanted to portray employees from all parts of the province. The particular picture is from the northern region. I cannot understand how it passed MTS staff's eyes and got into the document. I think it was my first or second meeting with the Minister I now have the privilege of working with. He had just received the annual report. He expressed some opinion about the free advertising that we were doing on behalf of the other Party. So, my apologies, it will not happen again.

**Mr. Chairman:** The hour being 12:30 p.m., is it the will of the committee to rise? (Agreed)

**COMMITTEE ROSE AT:** 12:30 p.m.